

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06
SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15
STR-04 CEA-01 /102 W
-----142005Z 066739 /66

R 141912Z JUN 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 9056
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TOKYO
AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 09985

USEEC ALSO FOR EMBASSY, USOECD ALSO FOR EMBASSY

DEPARTMENT PASS FEDERAL RESERVE
E.O. 11652: N/A
TAGS: EFIN, GW
SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 13)

REF.: BONN 8585

1. BUNDESBANK FOREIGN POSITION:
DURING THE PERIOD MAY 24-31, THE BUNDESBANK'S NET
FOREIGN POSITION INCREASED BY DM 0.4 BILLION TO DM 85.1
BILLION. GERMANY'S IMF GOLD TRANCHE POSITION DECLINED
BY DM 40 MILLION AND SDR HOLDINGS BY DM 30 MILLION.
SPECIAL CREDITS TO THE IMF INCREASED BY DM 245 MILLION.
FOREIGN EXCHANGE HOLDINGS DECLINED BY DM 144 MILLION
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AND LIABILITIES AGAINST THE EUROPEAN FUND FOR MONETARY
COOPERATION BY DM 385 MILLION. OTHER FOREIGN LIABILITIES
INCREASED BY ABOUT DM 20 MILLION.

2. BANK LIQUIDITY:
DURING THE SAME PERIOD BANK LIQUIDITY DECLINED BY DM 2.8
BILLION. A MAJOR FACTOR REDUCING LIQUIDITY WAS AN

UNUSUAL DM 6.5 BILLION INCREASE IN BUNDESPOST ASSETS HELD AT THE BUNDESBANK. THIS INCREASE REFLECTED THE RECEIPT OF FUNDS BY THE BUNDESPOST FROM THE SOCIAL INSURANCE SYSTEM FOR END-OF-MONTH OLD AGE PENSION PAYMENTS WHICH HOWEVER, HAD NOT YET BEEN MADE DUE TO THE COINCIDENCE OF THE WHITSUN HOLIDAYS WITH THE END OF THE MONTH. ANOTHER FACTOR REDUCING LIQUIDITY WAS A SUBSTANTIAL DM 6.3 BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK WHICH INCREASED BANKS' RESERVES AS OF MAY 31 TO DM 49.4 BILLION AS COMPARED WITH MAY RESERVE REQUIREMENTS OF DM 47.0 BILLION. ON AN AVERAGE PER DAY BASIS, HOWEVER, BANKS' RESERVE HOLDINGS IN MAY WERE ONLY SLIGHTLY ABOVE REQUIREMENTS. LIQUIDITY WAS FURTHER REDUCED BY THE USUAL INCREASE IN CURRENCY IN CIRCULATION AT THE END OF THE MONTH (DM 3.5 BILLION).

FACTORS INCREASING LIQUIDITY WERE USUAL END-OF-MONTH DECLINES IN FEDERAL AND STATE GOVERNMENT ASSETS HELD AT THE BUNDESBANK (DM 2.1 BILLION AND DM 2.6 BILLION, RESPECTIVELY) WHICH REDUCED FEDERAL GOVERNMENT ASSETS TO DM 0.3 BILLION AND STATE GOVERNMENT ASSETS TO DM 2.6 BILLION. IN ADDITION, THE FEDERAL GOVERNMENT BORROWED DM 1.7 BILLION FROM THE BUNDESBANK. THE ABOVE-MENTIONED INCREASE IN THE BUNDESBANK'S FOREIGN POSITION AND OTHER, UNSPECIFIED, FACTORS (DM 6.7 BILLION, NET) INCREASED LIQUIDITY.

THE BANKS FINANCED THE LIQUIDITY LOSS BY INCREASING
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BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY BY DM 2.6 BILLION AND NORMAL REDISCOUNT BORROWINGS BY DM 0.3 BILLION. AT THE SAME TIME, THEY REDUCED LOMBARD BORROWINGS BY DM 0.1 BILLION. ON MAY 31, THE BANKS' REDISCOUNT BORROWINGS AMOUNTED TO DM 16.9 BILLION, LOMBARD BORROWINGS TO DM 0.1 BILLION AND BORROWINGS UNDER THE SPECIAL REDISCOUNT FACILITY TO DM 3.2 BILLION. THE SPECIAL REDISCOUNT FACILITY, WHICH ALLOWED BANKS TO BORROW FROM THE BUNDESBANK FOR A PERIOD OF 10 DAYS, TERMINATED MAY 31 (SEE BONN 8585). THUS BANKS HAD TO REPAY THE DM 3.2 BILLION IN BORROWINGS BY JUNE 10. ON MAY 31, THE BANKS' TOTAL CENTRAL BANK INDEBTEDNESS AMOUNTED TO DM 20.2 BILLION AS COMPARED WITH DM 17.4 BILLION ON MAY 23.

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FM AMEMBASSY BONN
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DEPARTMENT TREASURY
INFO AMEMBASSY BERN
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3. MONEY MARKET:

THE DM 2.5 BILLION EXPANSION OF THE REDISCOUNT FACILITY
AND A REDUCTION IN JUNE RESERVE REQUIREMENTS BY 5 PER-
CENT, WHICH BECAME EFFECTIVE JUNE 1 (SEE BONN 8585)
DROVE INTEREST RATES ON GERMANY MONEY MARKETS LOWER
DURING THE PAST WEEK. IT IS LIKELY THAT DECLINES IN
CURRENCY IN CIRCULATION AS WELL AS IN ASSETS OF PUBLIC
AUTHORITIES HELD AT THE BUNDESBANK, WHICH ARE CUSTOMARY
IN THE FIRST HALF OF A MONTH, REINFORCED THE EASING
TREND. IN THE NEAR-TERM, HOWEVER, THERE WILL BE THE
TIGHTENING INFLUENCE OF THE MID-JUNE TAX DATE, THE
FULL EFFECTS OF WHICH WILL PROBABLY IMPACT ON THE
BANKS AROUND THE 20TH OF JUNE. FOR THE PERIOD UNDER
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REVIEW FRANKFURT INTERBANK RATES WERE AS FOLLOWS:

CALL MONEY ONE-MONTH THREE-MONTH

JUNE 7	3.7-3.9	4.25	4.30
8	3.6-3.8	4.10	4.20
9	GERMAN HOLIDAY		
10	3.5-3.6	4.10	4.20
13	3.5-3.7	4.10	4.20

4. FOREIGN EXCHANGE MARKET:

FRANKFURT SPOT AND FORWARD DOLLAR RATES FOR THE PERIOD

JUNE 7-14 DEVELOPED AS FOLLOWS:

FORWARD DOLLARS

SPOT DOLLARS (IN PCT. PER ANNUM)

OPENING FIXING CLOSING ONE-MONTH THREE-MONTH

JUNE 7	2.3609	2.3592	2.3600	-1.7	-2.0
8	2.3610	2.3583	2.3585	-1.9	-2.0
9	GERMAN HOLIDAY				
10	2.3575	2.3579	2.3580	-1.6	-1.9
13	2.3547	2.3548	2.3570	-1.9	-1.8
14	2.3556	2.3558	N.A.	N.A.	N.A.

5. CREDIT FOR INDONESIA:

ACCORDING TO PRESS ACCOUNTS, THE FRG AND INDONESIA HAVE CONCLUDED A DM 110 MILLION CREDIT AGREEMENT. THE PURPOSE OF THE CREDIT IS TO PROVIDE FUNDS FOR THE ENLARGEMENT OF THE HARBOR OF BELAWAN IN NORTH SAMATRA. THE LOAN

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 9058

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

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HAS A MATURITY OF 30 YEARS AND CARRIES A 2 PERCENT INTEREST CHARGE AND A 10 YEAR GRACE PERIOD. LAST YEAR, IT WAS REPORTED, THE FRG GRANTED INDONESIA A DM 100 MILLION CREDIT AT 4.5 PERCENT FOR 20 YEARS WITH A 5 YEAR GRACE PERIOD.

6. BOND MARKET:

RECENT PRICE DECLINES ON THE MARKET FOR DOMESTIC BONDS CAME TO A HALT LAST WEEK. THE BUNDESBANK WHICH HAD PURCHASED ABOUT DM 160 MILLION OF PUBLIC BONDS IN THE FIRST THREE DAYS OF LAST WEEK SOLD ABOUT DM 100 MILLION OF SUCH BONDS DURING THE FOLLOWING THREE BUSINESS DAYS. ACCORDING TO THE PRESS, AVERAGE CURRENT YIELDS OF DOMESTIC BONDS BROKEN DOWN BY MATURITY ARE AS FOLLOWS:
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REMAINING MATURITY

(YEARS) 1 3 5 6 8 10

JUNE 10	4.80	5.65	6.20	6.35	6.60	6.80
JUNE 1	4.70	5.50	6.00	6.25	6.50	6.60

THE FEDERAL GOVERNMENT IS CURRENTLY INVITING BIDS FOR 3- AND 4-YEAR FEDERAL TREASURY NOTES (KASSEN Obligationen). THE 3-YEAR NOTES CARRY A COUPON OF 5.25 PERCENT AND A MINIMUM PRICE OF 99.40 (YIELD TO MATURITY ON BASIS OF MINIMUM PRICE 5.48 PERCENT), THE 4-YEAR NOTES A 5.50 PERCENT COUPON AND A MINIMUM PRICE OF 99 (YIELD TO MATURITY 5.79).
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Message Attributes

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Copy: SINGLE
Sent Date: 14-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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Secure: OPEN
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Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING JUNE 13)
TAGS: EFIN, ECON, GE
To: STATE TRSY
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